

JUDICIARY

0250 Judicial

The Judicial budget includes support for the California Supreme Court, the courts of appeal, the Habeas Corpus Resource Center, and the Judicial Council of California. There are 105 appellate court justices and 7 Supreme Court justices. The Judicial Council, including the Administrative Office of the Courts, is the administrative and policy-making body of the judiciary.

The budget proposes total expenditures of \$373.8 million for the Judicial branch. This amount is a decrease of \$8.3 million, or 2.2 percent, from estimated expenditures in the current year. General Fund support would decrease by \$1 million, or 0.3 percent, for a total of \$302.6 million. Of the total proposed expenditures, \$39.1 million is for the Supreme Court, \$173.7 million is for the operation of the Courts of Appeal, \$160.1 million is for the Judicial Council, and \$10.8 million is for the California Habeas Corpus Resource Center. Total authorized positions for the four entities would increase by 20 positions to 1,626 positions. These positions are related to transferring the responsibilities of trial court facilities to the state from the counties and are funded through the State Court Facilities Construction Fund.

Summary of Program Requirements (dollars in thousands)	2003-04	2004-05	\$ Change	% Change
Supreme Court	\$38,990	\$39,051	\$61	0.2%
Courts of Appeal	173,437	173,655	218	0.1%
Judicial Council	167,426	160,065	-7,361	-4.4%
Habeas Corpus Resource Center	10,717	10,780	63	0.6%
Totals	390,570	383,551	-7,019	-1.8%
Unallocated Reduction	-8,500	-9,798		
Net Total	\$382,070	\$373,753	-\$8,317	-2.2%

Highlights

- An unallocated budget reduction of \$9.8 million, or 2.6 percent of total funding for the judiciary. Unlike the one-time unallocated reduction of \$8.5 million in the current year, the \$9.8 million reduction is proposed to be ongoing.
- An increase of \$235,000 (\$180,000 one-time) from the Court Interpreter Fund to address increased costs of court interpreter certification activities and the one-time costs of developing written and oral examinations for two newly certified languages.

0390 Contributions to Judges' Retirement System

The Judges' Retirement System (JRS I) funds retirement benefits for justices and judges of the Supreme Court, the courts of appeal, and superior courts. Retirement benefits are based on age, years of service, compensation of active judges, and eligibility as determined by specific sections of the Judges' Retirement Law. The JRS I is funded by the Judges' Retirement Fund, which receives revenue from the General Fund and certain filing fees, as well as employee contributions equal to 8 percent of the judges' salaries.

Chapter 879, Statutes of 1994, established the Judges' Retirement System II (JRS II). Unlike its predecessor, JRS II is designed to be fully funded from employer and employee contributions on a prospective basis. The major differences for JRS II include an increased retirement age and a cap on COLAs for retirement benefits of 3 percent annually. All judges elevated to the bench on or after November 9, 1994 are required to participate in JRS II. There are currently 1,610 authorized judges and justices in the state of California.

The number of retired annuitants for JRS I is projected to increase by 89 to a total of 1,715. The budget proposes General Fund expenditures of \$88.6 million and a transfer of \$27.6 million General Fund from the Trial Court Trust Fund (TCTF). This transfer is further discussed below.

Issue

Retirement System Shortfall. For the current year, General Fund expenditures for JRS are anticipated to be \$88.6 million. Last year, as part of the Governor's May Revise, the Legislature approved a reduction of \$10.3 million for the program, leaving a fund reserve equal to one month of expenditures. The Department of Finance (DOF) now estimates that, based on revised actuarial information, there will be a current year shortfall of \$4.3 million for the program. This shortfall is being funded through a transfer of \$4.3 million from the TCTF.

For 2004-05, the budget estimates total General Fund expenditures of \$116.2 million will be needed for the program. Similar to the current year, this amount would leave a one-month reserve for the fund. Of the \$116.2 million, the Administration proposes maintaining the current year level of General Fund at \$88.6 and transferring \$27.6 million from the General Fund appropriation to the TCTF to make up the balance.

The decision to make up the shortfall through a transfer from the TCTF in the current year represents a change from the policy of keeping funding for the JRS separate from trial court operational funding. To the extent that this policy is carried forward into the budget year, the operational budgets for the trial courts would have to be reduced by the amount that is proposed to be transferred to the JRS program (\$27.6 million). The Legislature may wish to consider the policy implications of using operational funds of the trial courts to fund the JRS.

0450 State Trial Court Funding

The Trial Court Funding item provides state funds for support of the state's local trial courts. The proposed total budget for the state's trial courts is \$2.2 billion. This amount is a decrease of \$37.1 million, or 1.6 percent, from anticipated expenditures in the current year. The General Fund portion is proposed to increase by \$64 million, or 6.1 percent to \$1.1 billion. The General Fund increase is due to the restoration of various one-time reductions taken in the current year.

Summary of Expenditures				
(dollars in thousands)	2001-02	2002-03	\$ Change	% Change
General Fund	\$1,051,654	\$1,115,678	\$64,024	6.1%
Trial Court Improvement Fund	132,148	106,660	-25,488	-19.3%
Other Funds	1,071,492	995,857	-75,635	-7.1%
Total	\$2,255,294	\$2,218,195	-\$37,099	-1.6%

Highlights

- An unallocated reduction of \$59 million, or 2.6 percent of the total trial court funding budget.
- A loan of \$30 million from the State Court Facilities Construction Fund to the General Fund. The Administration has indicated that the State Court Facilities Construction Fund will have sufficient resources to begin transferring court facilities from the counties to the state in the budget year pursuant to Chapter 1082, Statutes of 2002.
- A General Fund increase of \$2.6 million to comply with a statutory requirement to reimburse trial courts for costs related to hearings or trials for crimes committed in a state prison. A corresponding reduction is proposed for the budget of the Department of Corrections.

Issues

Improved Accountability and Service Delivery. The Administration indicates that it would support various efforts by the courts to restructure court operations and improve accountability thereby allowing the courts to achieve efficiencies and savings. Examples of potential areas to improve accountability and service delivery cited by the Administration include (1) restructuring the collective bargaining process to allow for state-level participation; (2) restructuring the provision of court security; and (3) restructuring the provision of court employee benefits. At this time, no specific proposals have been raised by either the courts or the Administration in these areas.

Projected Shortfall for the Trial Court Trust Fund in the Current Year. The Administrative Office of the Courts (AOC) estimates that the Trial Court Trust Fund (TCTF) will face a projected operational shortfall of \$45 million in the current year. Much of this estimated shortfall (\$36.5) million is due to a shortage in new fee revenue (\$22.2 million), a shortfall related to a loan from the State Court Facilities Construction Fund (\$10 million), and a transfer to the Judges' Retirement System (\$4.3 million). Because the AOC estimates that the TCTF will be fully depleted in the current year, to the extent that the revenue projections do not change and no additional funding is provided to backfill these shortfalls, reductions to trial court operations would need to be made.

Fee Revenue Shortfall. In order to minimize reductions to the budget for the trial courts last year, the Legislature increased certain court fees and dedicated the new revenue to the TCTF. The fee increases included raising the trial motion fee, the filing fee for limited jurisdiction

cases, the small claims filing fee for filers of over 12 cases per year, the summary motion judgment fee, certain court reporter fees, certain probate filing fees, establishing a complex litigation fee and a continuance fee, and transferring certain undesignated fees from counties to the courts. The budget assumes revenues of \$144.6 million in 2003-04 from these fees. As of December 29, 2003, the AOC projects actual revenues of \$122.4 million in 2003-04, failing to meet revenue projections by \$22.2 million. The AOC indicates that the projections are based on data from three months and that the projections may change with additional data. The AOC estimates a shortfall of \$18 million for the budget year.

Loan from the State Court Facilities Construction Fund. The Budget Act of 2003 included a \$80 million loan from the State Court Facilities Construction Fund to the state General Fund. The loan was structured such that the \$80 million was taken from the TCTF, to be replenished by projected revenues going into the State Court Facilities Construction Fund. Those revenues are failing to meet the levels projected last year by DOF. The budget proposes transferring only \$70 million to the TCTF. As a result the TCTF would have to absorb the extra \$10 million deficit.

Transfer to the Judges' Retirement Fund. As discussed above in Item 0390, last year as part of the Governor's May Revise, the Legislature approved a reduction of \$10.3 million for the Judges' Retirement System (JRS), leaving a fund reserve equal to one month of expenditures. DOF now estimates that, based on revised actuarial information, there will be a current year shortfall of \$4.3 million for the program. The DOF is funding this shortfall in JRS through a transfer of \$4.3 million from the TCTF.

Budget Year Fiscal Challenges. The trial courts will face a number of fiscal challenges in the budget year. As indicated above, the budget for 2004-05 proposes an ongoing unallocated reduction of \$59 million from trial court operations. In addition, a number of fiscal challenges facing the courts in the current year will also have budget-year impacts. As previously discussed, the AOC estimates a shortfall of \$18 million in 2004-05 for fee revenues from the court fees adopted with the last budget. The budget also proposes a transfer of \$27.6 million from the TCTF to address a funding deficiency in the JRS.

On top of these reductions, the AOC notes that the courts will face a number of significant cost increases that are not currently funded in the budget, including court staff retirement costs, workers' compensation costs, security cost increases, and increased county charges. In the Judicial Council's review of trial court budget requests prior to submission to the Governor and the Legislature, the Judicial Council approved budget requests totaling \$95 million for these types of cost increases, none of which are included in the current budget proposal.

In order to achieve the proposed reductions, the AOC indicates that the trial courts are likely to continue measures being used to meet reductions in the current year, such as hiring and promotion freezes, furloughs, reducing training and travel, reducing office expenses, and deferring equipment purchases. The AOC reports that these types of reductions have resulted in processing backlogs for all types of cases.